



CHESAPEAKE BAY COMMISSION

Policy for the Bay • www.chesbay.us

Pennsylvania's Nutrient Credit Trading Program – A Summary

Authority:

25 PA Code, §96.8

Who can trade? Any combination of point sources, non-point sources and third parties (such as a broker). However, non-point sources are not acting as buyers at this point in time. Trading is voluntary.

What can be traded? Nitrogen for nitrogen, and phosphorus for phosphorus. One credit = one pound of nutrient after adjustment by a delivery ratio and a 10% required credit reserve.

Where can trades occur? Generally, within the Susquehanna River basin in Pennsylvania or within the Potomac River basin in Pennsylvania. However, a pilot program to be implemented by Chambersburg Borough to trade between the Susquehanna and Potomac basins has been approved and an interstate trade with West Virginia in the Potomac basin has been considered.

Eligibility:

An entity who wishes to generate credits must first meet all applicable legal requirements that apply to their operation. This standard is known as the “baseline.” In addition, agricultural operations must also meet an additional “threshold” level of performance, defined as:

- 1) A 100' setback for manure application;
- 2) A 35' vegetated buffer; OR
- 3) an additional 20% reduction in nutrient loads beyond the reductions that will generate credits.

An entity who wishes to purchase credits must also be in compliance with all legal requirements, and may do so only if the use of credits will not result in degradation of local water quality.

With one exception, there is no limitation on the practices that can be used to generate credits, as long as reductions can be demonstrated. Land use conversion of a “whole farm or substantial portion of a farm” is not eligible to generate credits.

Process:

- 1) **Certification:** written approval by DEP of a proposed credit generating activity. An application for certification must include location of the project, timing of the project,

and credit calculations, including assumptions on which those calculations are based. When calculating credits, nutrient reductions are discounted by a “delivery ratio” based on the project’s location in the watershed, and a “reserve ratio” of 10%. The certification application must also include a plan for verification of the credits once they are generated. Certifications are valid for up to five years and can be renewed.

- 2) *Verification*: assurance that an approved verification plan has been implemented. Plans can be self-verified or verified by a third party. DEP may conduct inspections or compliance audits.
- 3) *Registration*: Upon verification of credits and proof that a contract for trading is in place, DEP assigns a number to each credit for reporting and tracking purposes. Credits must be registered before they can be applied to an NPDES permit.